Economy and Business Development Scrutiny Committee
10 September 2019

AYLESBURY VALE ESTATES – REVIEW OF PERFORMANCE AGAINST THE 2018/2019 BUSINESS PLAN

1 Purpose

1.1 This purpose of this report is to enable the Scrutiny Committee to comment on a review of the performance of Aylesbury Vale Estates (AVE), against the targets and commitments set out in the 2018/2019 business plan.

2 Recommendation

2.1 The Scrutiny Committee is asked to review the report set out as Appendix 1 in the confidential part of the Agenda and highlight any issues they wish to report to Cabinet.

3 Supporting information

3.1 Each year AVE prepares a business plan which is considered by this scrutiny committee and Cabinet. The business plan includes a review of performance during the previous financial year and normally takes place in June but was deferred this year to enable the Committee to visit Silverstone.

3.2 The Asset Managers' report to the AVE Board for the period January – end of March 2019 forms the basis for the review of performance against the 18/19 business plan together with the end of year accounts. Both documents are set out in Appendix 1 in the confidential part of the agenda.

3.3 The Asset Managers will also be able to give a high level overview of progress against the current 2019/2020 business plan at the meeting. AVE is currently drafting its business plan for 2020/21 for consideration by the scrutiny and cabinet committees in November/December.

3.4 The Asset Managers will give a presentation to the Committee in the confidential part of the meeting. In the meantime, in summary, these are the headlines of AVE performance in 2018/2019 measured against the strategy and the key performance indicators:

Strategy as set out in 2018/19 business plan

Core aims were to:

a. Increase investor revenue flows; and

b. Support for the Council's economic development programme

Achieved by:

a. Sale of high value land with low income, for reinvestment

b. Pay off expensive debt in order to reduce cost of finance

c. Reduce amortisation, which soaks up surplus income

d. Target a distribution of £600,000 pa

e. Maintain current levels of occupancy

f. Retain major tenancies at Hale Leys

Sale of high value land with low income for reinvestment

The sale of land known as Gateway phase 2 and the sale of the front part of the Askeys site at Stocklake did not take place for a variety of reasons by the end of the financial year as anticipated. The Asset Managers will explain the reasons for the delay at the meeting. The sale of the Stocklake site to Lidl has subsequently been achieved and the sale of the Gateway phase 2 site to a housing developer is expected to complete shortly.

Progress was made in 2018/2019 on preparing a small site at Adams Close, Buckingham for sale which has also now completed.

Pay off expensive debt in order to reduce the cost of finance

The capital receipt received from the sale of the Stocklake site has been used to help achieve this albeit later than planned. The reduction in cost of finance will help improve cash flow and in 2019/2020, provide a degree of comfort to help AVE manage the new market and financial pressures which are emerging primarily as a result of Brexit.

Reduce amortisation, which soaks up surplus income

This was achieved in relation to the amortisation of the senior debt with AVDC. In 2018/2019, AVE made substantial repayments of debt.

Target a distribution of £600,000 pa

This was largely dependent of the sale of the two key sites. As this did not happen, the distribution was deferred. AVDC still expects to receive its 50% share of the distribution and also has planned for a distribution in 2019/20. This means that there is an expectation that two distributions will be received by then end of 2020.

Maintain current levels of occupancy

In an important move, Cinram Novum were secured as new tenants for the large Sony site. Work began to develop options the long term future of the site.

There continued to be strong demand for the units on the industrial estates following an extensive investment plan to refurbish units and improve services to tenants. At the end of year, the void rate was 1.8%.

Retain major tenancies at Hale Leys

Nationally, the retail market proved even more challenging in 2018/2019. Clarks relocated to Friars Square and Poundworld went into administration. However, other key tenants, notably Boots were retained by the centre.

Concentrated efforts began during the financial year to attract different uses for vacant units. Negotiations commenced for the conversion of the former Next unit to a Play and Stay and a restaurant, bar and roof top terrace. These negotiations have now completed, with permission for change of use granted. Construction work is now underway.

3.5 General financial performance

- The voids percentage by rental value across the whole portfolio was 6.9% at the end of March compared to a target of 3.8% in the business plan. Of this, the multi-let industrial portfolio accounts for 1.8% of the 6.9% with Hale Leys accounting for the rest of the voids. The refurbishment of the units has contributed to the uptake.
- Rent invoiced for 18/19, was down 12% for the portfolio as a whole. Hale Leys accounted for much of this.
- The overall value of the portfolio decreased reflecting the challenging retail market Hale Leys is facing. However, the value of the rest of the portfolio increased.
- Debt fell in line with the business plan strategy and the loan to value ratio decreased from the previous year.

4 Resource implications

4.1 None

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Background Documents	Aylesbury Vale Estates Business Plan 18/19 End of year Report to AVE Board